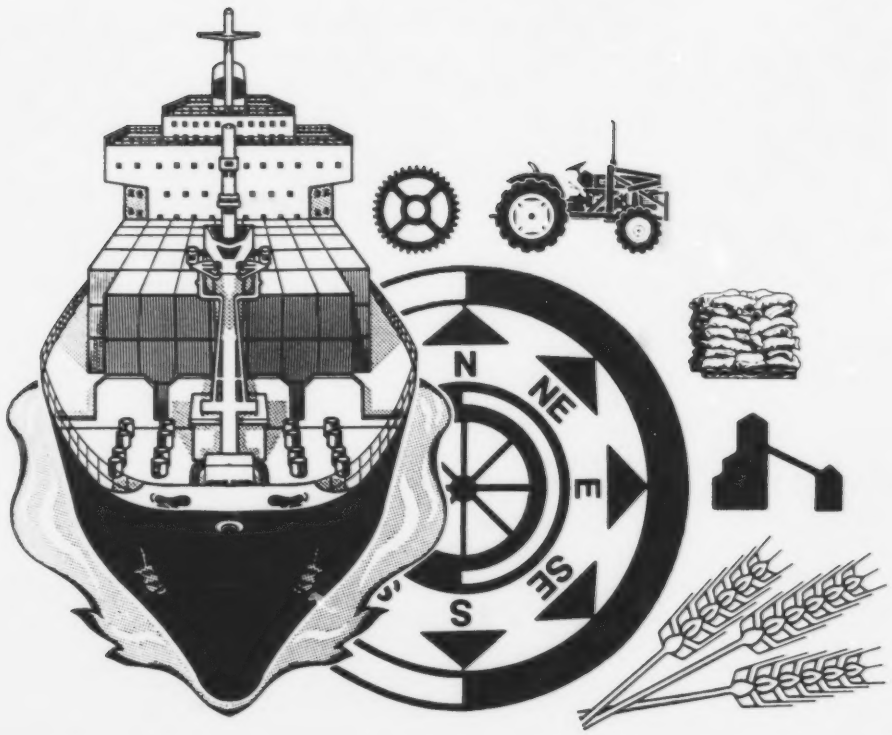
OCTOBER 1988

GOVERNMENT CARGO

A STUDY TO DETERMINE POTENTIAL FOR GREATER PARTICIPATION BY ONTARIO PORTS IN SHIPMENTS OF GOVERNMENT CARGO



MARINE OFFICE

Ontario

Ministry of Transportation

Ministère des Transports

ONTARIO MINISTRY OF TRANSPORTATION
MARINE OFFICE

OCTOBER 1988

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A STUDY TO DETERMINE POTENTIAL FOR GREATER PARTICIPATION BY ONTARIO PORTS IN SHIPMENTS OF GOVERNMENT CARGO

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This report is a synthesis of three studies commissioned by the Marine Office, Ontario Ministry of Transportation.

Robert W. Savage Consulting Incorporated conducted two of the studies entitled: *Study to Determine Potential for Inland Movement of Government Required or Assisted Cargoes*, and *Study to Determine Potential for Ontario Ports and Infrastructure in the Movement of Government Food Aid Cargoes.*

Inspectra Limited produced the study: *Government Cargo Study - Movement of Project Cargoes Shipped Under Aid Programs, Ports of Ontario.*

Rigzin Dolkar Editorial Services undertook the amalgamation of the above-mentioned studies and the editing and design of the final report.

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PRÉCIS

PURPOSE

In the fiscal year 1985-86, Canada spent close to $2.3* billion in assistance to developing countries. Approximately $1.7 billion of this sum was expended through the Canadian International Development Agency. It is estimated that 65 per cent of CIDA's aid requires some form of transportation.

Another government activity necessitating transportation is the public sector procurement market. In 1979, federal and provincial governments and their agencies purchased $43.5 billion in goods for consumption within the country and, occasionally, outside of the country for defence and the requirements of allied countries.

Ontario ports have thus far received only an insignificant share of government transportation contracts.

Port authorities in the province concerned by the state of affairs contacted the Ontario Ministry of Transportation. The Ministry responded by embarking on three studies covering the different categories of government assistance and government procurement. The overriding purpose of all three studies being the determination of potential for greater Ontario participation in the transportation of government-aided and -procured cargo.

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* Figures in the text have been rounded off to the nearest million or billion

The studies dealt with the identification of opportunities for the movement, through Ontario ports, of:

1) government-assisted shipments of agricultural commodities;
2) manufactured goods and project cargoes shipped under aid programs;
3) goods purchased by governments or their agencies.

SUMMARY OF THE STATUS QUO

Government Aid

Government aid has been organized here into three main categories (figures shown are for the fiscal year 1985-86):

1) Food ($363 m);
2) Commodities: potash, sulphur, aluminium, etc., ($100 m);
3) Materiel*: manufactured goods & project cargoes ($180 m).

Prairie wheat representing the bulk of Canadian food aid is railed by its supplier, the Canadian Wheat Board, either to the west coast or to Thunder Bay from where it is trans-shipped to elevators at Montreal and other locations in the St. Lawrence. The second largest food aid is bagged flour and because of rail subsidies favourable to certain non-Ontario ports it is invariably moved through those ports.

Thunder Bay is often used for potash exports and some Ontario ports are used for small parcels of aluminum rods. However, a large part of CIDA commodities is transported to and shippped from the west coast.

Case studies of materiel shipments show Halifax, Montreal and St. John, New Brunswick, favoured over Ontario ports. And, in every instance, availability of suitable vessels, the season and the cost were deciding factors.

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*Materiel: manufactured commodities and project cargoes purchased in Canada for export to developing countries

Public Sector Procurement
In 1979, public sector procurement was assessed at $43.5 billion. Provincial and local governments together procure more goods than the federal government. When prices are competitive, purchases for both the federal, and provincial and local governments are made within the province in which the goods are ultimately to be used.

The movement of the goods is carried out mainly by overland modes and through non-seaway ports in container-size loads. There is no regular container service on the waterways either between east and west or between Canada and the United States.

If container service could be put in place, Ontario ports should be able to attract offshore vessels: firstly, because statistics indicate a significantly large proportion of the imported goods is destined for use in Ontario; and secondly, the largest value of goods procured in Ontario and moved out of the province moves offshore.

RESULTS IN BRIEF

All three studies concurred in finding no irregularities or unreasonable preference for non-Ontario ports in the awarding of government transportation contracts. The choice of ports is dictated by the demands of economy, scheduling deadlines, and minimal risk to government. Ontario ports are unable in very many cases to come up with the optimum proposal.

The following factors contribute to eliminate Ontario from contending successfully for government contracts: the closure of the St. Lawrence Seaway for three-and-a-half months of the year; the signing of

memoranda of understanding governing all contracts between Canada and recipient countries late in the year often resulting in shipping aid cargoes during the closed season of Ontario ports; rail subsidies favouring non-Ontario ports; and the lack of important facilities such as container service.

Opportunities for dramatic increase in business for Ontario ports are, in view of the above-mentioned circumstances, not predicted, but the study does recommend some strategies for improving the volume of cargo over what is presently being carried through the ports.

A lobby to have memoranda of understanding signed as early as possible in the year would give Ontario ports a longer shipping season in which to bid for government contracts.

The study also suggests that the Ontario ports market their services more aggressively, conveying the message of "we understand," "we care," and "we perform." Port authorities should remain in constant contact with government transportation officials and private brokers keeping them apprised of the services the ports provide. This would also enable the ports to spot government business the moment it appears on the market and give them the know-how to contact the appropriate government officials.

COMMENTS

The three original studies largely concentrated on understanding government transportation procedures already in place and to discover what, if any, data was available on them.

It became quite clear that there are vast amounts of information on every aspect of aid programs but relatively little information on the tonnage and volume of aid cargoes shipped. The tonnage figures seen in the study were arrived at by extrapolation and reasoned judgement.

The chapter on government procurement only scratches the surface of that immense government activity and is therefore limited in its findings and recommendations. There are almost no tonnage figures on procurement by the public sector or other standard statistics that would enable an analyst to assess the suitability of Ontario ports vis-à-vis government-purchased cargo. Further investigation in this area is required.

CHAPTER ONE

CANADIAN AID

OFFICIAL DEVELOPMENT ASSISTANCE

Canada makes a significant contribution toward development in Third World countries. This contribution, referred to as "Official Development Assistance", amounted to approximately $2.3 billion in 1985-86. Seventy-five per cent or $1.7 billion of this money is accounted for under the International Development Assistance Program and the aid is implemented through the Canadian International Development Agency (CIDA). The remaining $.575 billion is shared by other agencies (shown in chart below) but does not result in any significant movement of goods.

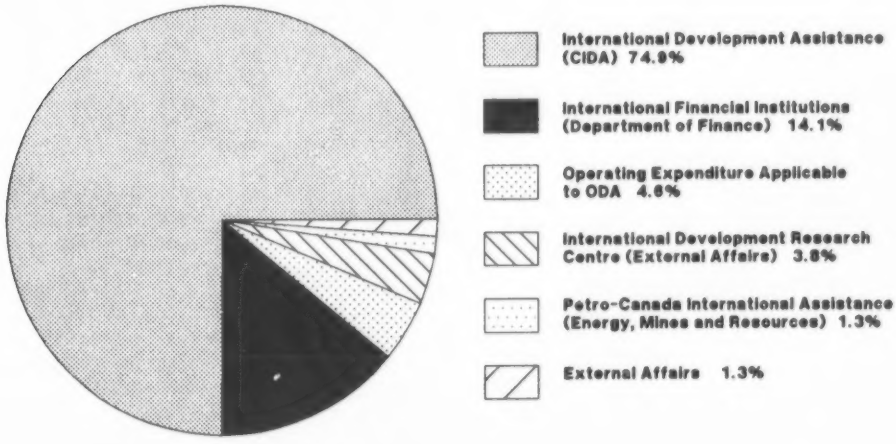

International Development Assistance (CIDA) 74.9%
International Financial Institutions (Department of Finance) 14.1%
Operating Expenditure Applicable to ODA 4.6%
International Development Research Centre (External Affairs) 3.8%
Petro-Canada International Assistance (Energy, Mines and Resources) 1.3%
External Affairs 1.3%

Figure 1
Official Development Assistance Expenditure FY 1985–86

Source: Canadian International Development Agency; 1985-86 Estimates, Part III Expenditure Plan

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

CIDA's primary objective is to cooperate with developing nations and regional institutions (directly or through private Canadian organizations) in programs and projects designed to foster their economic and social development including transfer of Canadian goods, services, technology and expertise.

In the fiscal year 1985-86, CIDA had a budget of approximately $1.7 billion to attain this and other objectives. Its sphere of assistance is grouped into four geographical areas: Asia, Anglophone Africa, Francophone Africa, and the Americas (South America and the Caribbean). The Minister for External Relations is responsible for CIDA and, in turn, reports to the Minister of External Affairs.

CIDA's aid falls into two main categories: i) Budgetary Funds ($1.36 billion) and ii) Non-budgetary Funds ($363 million).

Non-budgetary Funds are for loans, investments and advances and because of the nature of their assistance does not generate goods.

Table 1.1
Budgetary Funds FY 1985-86 (000's)

Country to Country Cooperation	$	968.666
International Initiatives		357.612
Corporate Services		35.522
Total	$	1,361.800

Source: CIDA 1985-86 Estimates Part III Expenditure Plan

The first two programs listed in the above table, Country to Country Cooperation and International Initiatives, bring about the most significant movement of goods. Corporate Services is an administrative arm of the Agency ensuring the efficient and effective achievement of the International Development Assistance Program objectives and does not directly result in transportation of goods.

Country to Country Cooperation includes two important programs---Bilateral Food Aid and Direct Country Assistance---which together represent a sizable portion of CIDA's budget and generate the greatest volume of cargo. International initiatives are also important in that food and technical aid are provided under these multilateral agreements.

Table 1.2
Estimated Breakdown of International Assistance Development Expenditures FY 1984-85 (000's)

Country to Country Cooperation		
Direct Country Assistance	$	533,800.
Bilateral Food Aid		174,700.
Development Cooperation and Development Education		54,300.
International Initiatives		
International Financial Initiatives		123,800.
Multilateral Food aid		126,200.
Multilateral Technical Cooperation		33,900.
International Humanitarian Assistance		2,100.
International NGOs		700.
Operating Expenditures		61,900.
Total	$	1,111,400.

THREE PRIMARY FORMS OF GOVERNMENT ASSISTANCE

Canadian government aid, channelled through CIDA, makes the largest contribution in dollar value and tonnage in i) food, ii) manufactured goods and project cargoes henceforth referred to as "materiel," and iii) commodities such as metals, sulphur, and pulp and paper.

F O O D

Canada provided $363 million in food aid in 1985-86, and estimates indicate this represents 850,000 tonnes. Table 1.3A & Table 1.3B list the principal food types, their tonnage, and average shipment size.

Table 1.3A
Food Aid FY1985-86

Bilateral (17 Countries Served)

Commodity	Tonnes	No. of Parcels	Av. Tonnes /Parcel
Wheat	396,790	16	24,800
Flour	38,130	04	9,532
Corn	12,061	04	3,015
Fish	7,504	10	750
Milk	2,774	04	693
Pulses		3,811	02 1,905
Canola Oil	31,666	05	6,333
Total	492,736	45	10,949

Table 1.3B
Food Aid FY 1985-86

Multilateral (77 Countries Served)

Commodity	Tonnes	No. of Parcels	Av. Tonnes /Parcel
Wheat	184,756	12	15,396
Flour	121,599	29	4,193
Corn	11,208	09	1,401
Fish	3,975	26	153
Milk	14,333	132	106
Peas	6,309	31	203
Beans	5,117	50	102
Canola Oil	10,384	30	346
Total	357,681	319	1,125

A comparative study of Tables 1.3A & 1.3B reveals that bilateral food is dispatched in a smaller number of parcels (45 versus 318) with an average parcel weight of 10,949 tonnes (multilateral has 1,125 tonnes), and serves 17 countries against 77 for multilateral aid.

The bilateral negotitations between Canada and the recipient country culminate—when successful—in the signing of the memorandum of understanding. The memorandum is the key document in which the involvement of the parties concerned is described in detail. Months or years may elapse before finalization of a "mou". Consequently, the period between signing and the commencement of shipment can be very lengthy. Given the time required to procure the food and process the shipment it is often close to or in the non-navigational season of the Great Lakes when the cargo is finally sent.

THE PROCESS OF PURCHASING AID

Most food is procured and transported by Supply and Services, Canada (SSC), the federal purchasing authority. CIDA buys food for bilateral aid directly from crown agencies such as the Canadian Wheat Board and the Canadian Dairy Association and usually SSC undertakes the transportation. Multilateral food aid is purchased by SSC but the transportation is arranged by freight forwarders appointed in Canada by World Food Program or any of the other relief organizations requesting the aid. The freight forwarders are supported by international brokers based—as in the case of the World Food Program—in Rome. The ocean transportation is arranged by these brokers.

However, in certain cases a recipient country may play a more direct role, with the approval of CIDA, in the procurement and transportation of goods committed to them. The requirement that CIDA aid content be 66 2/3 per cent Canadian does not govern transportation overseas. Recipient countries are encouraged to provide and pay—often in their own, softer currency— for transportation, thereby maximizing the aid package itself. Alternatively, it could employ an executing agency or seek the assistance of an international organization or of the Canadian Commercial Corporation.

The purchase of food is carried out through tender by brokers and agents listed with SSC. In the case of bilateral food aid, tenders are requested from suppliers on a "Free Alongside" (FAS) or "Free on Board" (FOB) basis. Transportation is usually completed on a liner terms basis.

(Appendix D provides an abridged definition of technical terms (Incoterms) most frequently used in connection with shipments of materiel made by or for CIDA. An appreciation of the definitions and terms, as used within contract documents, facilitates identification of the party responsible for completing arrangements for the transport of materiel from Canada to developing countries.)

SSC lists ports including Great Lakes ports and the supplier selects two or three from the list . Concurrently, tenders are asked for ocean transportation to destination. Should the total cost exceed CIDA budget, tonnage is reduced to meet the budget.

The size of one cargo can define the choice of port for other cargoes. For example, on December 13, 1985, a vessel left Montreal with 4,323 tonnes of flour, 50 tonnes of canned herring and 500 tonnes of refined oil destined for Ruanda. The volume of the flour cargo determined the port for the herring and oil also destined for Ruanda.

Multilateral aid originates, as mentioned earlier, with an international relief organization asking CIDA for specific commodities listing quantity and delivery time. CIDA then tenders for delivery FAS or FOB at various ports. The oganization through its freight forwarder, or vessel broker located in Montreal, designates the port to be used. CIDA pays for the food. Transportation and any other ensuing costs are paid for by the relief agency. The vessel broker for World Food Program in Montreal, in conjunction with the organization's principal broker located in Rome, charter vessels for full cargoes. The freight forwarder coordinates all the smaller shipments to the various countries utilizing "liner" services—vessels that call at ports on a given schedule. Containers are also used frequently for smaller cargoes and, consequently, those ports offering container service are chosen.

FOOD TYPES AND THEIR ROUTING

The largest volume of food aid shipped from Canada is wheat. Under the International Food Aid Convention, Canada is committed to providing 600,000 tonnes of cereal annually. Sixty per cent of this is donated on a bilateral basis, i.e. Canada deals directly with the recipient

countries. CIDA and the recipient country negotiate, among other things, a budget. The procurement skills and transportation know-how—or the lack thereof—impact significantly on the final tonnage of food shipped. It is to the advantage of the recipient country to minimize transportation costs as that maximizes the amount of food they receive.

The remaining 40 per cent of the wheat is distributed through multilateral organizations, primarily World Food Program, United Nations Agricultural Organization, International Emergency Food Reserve and non-governmental bodies. In a multilateral arrangement, these and other international relief organizations request Canada for specific aid as the need arises in those countries where their expertise and familiarity best serve the situation.

Prairie wheat is purchased directly from the Canadian Wheat Board. The Board normally sells export wheat FOB the exporting port but in the case of CIDA shipments ocean transportation varies according to the needs of the recipient countries. In some instances the recipient country chooses to provide its own vessel , in others CIDA makes the necessary arrangements.

All western wheat bought by CIDA follows the same routing as other wheat sales by the Canadian Wheat Board. The grain is railed to the west coast or Thunder Bay. From Thunder Bay it is trans-shipped by Great Lakes vessels to elevators at Montreal and other locations in the St. Lawrence.

Sixty per cent of Canadian food is shipped via the east coast.

Table 1.4
Purchase of Food Aid by Province FY 1985-86 (in tonnes)

Province	Wheat	Fish	Flour	Corn	Milk	Oil	Pulses	Total
Alberta	109,565	-	34,438	-	1,345	18,346	734	164,428
Manitoba	89,644	-	7,207	-	1,681	5,426	4,698	108,656
Saskatch.	298,811	-	19,351	-	1,681	10,255	1,621	331,719
B.C.	-	-	2,011	-	-	-	736	2,747
N.B.	-	7,007	-	-	168	-	-	7,175
Ontario	83526	-	30,847	11,208	1,681	4,194	74,48	138,904
Nova Scotia	-	2,792	1,960	-	168	-	-	4,920
Newfoundld.	-	644	-	-	-	-	-	644
P.E.I.	-	226	-	-	-	-	-	226
Quebec	810	63,845	-	10,457	3,825		-78,937	
Elsewhere	-	-	-	12,061	-	-	-	12,061
Total	581,546	11,479	159,659	23,269	17,181	42,046	15,237	850,417

Bilateral	492,736
Multilateral	357,681
Total	850,417

Bagged flour is the next largest food category donated by Canada. SSC seeks tenders from suppliers listing many ports including Lake ports, but invariably the ports of Montreal, Halifax, and St. John, N.B. are tendered. This is due to rail subsidies applied to export flour from specific origins and destined for ports in Montreal, Sorel, Quebec City, Halifax and St. John, N.B. The Canadian railways have filed for increases on the rates but the application is still pending.

Canola Oil also has a rail subsidy of one cent above the compensatory cost but it turns out not to be an overriding reason behind port selection. Instead, packaging is a major factor in the choice of supplier and hence of port selection. The oil is mainly shipped refined in drums but as the demand by CIDA for this product increases special containers would be required.

Fish and pulses are both shipped in small parcels from ports where the goods originate. Fish is a Maritime provinces export and is moved directly out of the Maritime ports or occasionally trans-shipped to river ports when more economical to do so. Pulses that originate in Ontario are loaded in Ontario ports mainly but, as they are small consignments, vessel availability and coordination of shipments also affect choice of port.

Skimmed milk purchased by the Canadian Dairy Commission is centrally warehoused in the vicinity of the port of Quebec City. All shipments for CIDA are made from the St. Lawrence system in coordination with other cargoes.

In 1985-86, 13 shipments were made from Lake ports totalling 36,988 tonnes of which 36,025 tonnes were two shipments of Ontario wheat from Sarnia. The small parcels of other commodities were multilateral. Bagged wheat, corn and other produce move from Windsor and Sarnia to recipient countries. On the west coast, multilateral shipments dominated.

MATERIEL

As stated earlier, in 1985-86 CIDA had a budget of $1.7 billion. Of that amount, the estimated expenditure for Direct Country Assistance was $534 million.

Table 1.5
Food Aid Shipments from Lake Ports and West Coast FY 1985-86

Lake Ports

Port	Commodity	Country	Tonnes	Agency	Ship. Date
Toronto	Lentils	Benin	60	WFP	25/08/85
Toronto	Beans	St. Kitts	02	WFP	01/09/85
Toronto	Beans	Honduras	58	WFP	01/09/85
Toronto	Beans	Guatemala	60	WFP	01/09/85
Toronto	Canola Oil	China	189	-	-
Toronto	Canola Oil	China	97	-	-
Toronto	Lentils	Benin	60	WFP	01/11/85
Toronto	Canola Oil	China	211	-	-
Toronto	Beans	Djibouti	34	-	-
Toronto	Beans	Sao Tome	33	WFP	-
Sarnia	Ont. Wheat	Pakistan	16,930	Bilateral	25/03/85
Sarnia	Ont. Wheat	Pakistan	19,095	Bilateral	12/08/86
Valleyfield	Flour	Bolivia	159	WFP	15/08/86
		Total Tonnes	36,988		

West Ports

Port	Commodity	Country	Tonnes	Agency	Ship. Date
Vancouver	Pulses	Indonesia	160	WFP	23/07/85
Vancouver	Canola Oil	Indonesia	68	IEFR	06/08/85
Vancouver	Canola Oil	India	2,020	-	-
Western Port	Wheat	Antigua	258	WFP	21/01/86
Western Port	Wheat	St.Lucia	1,042	WFP	21/01/86
Western Port	Wheat	St.Vincent	350	WFP	21/01/86
Western Port	Wheat	St.Kitts	350	WFP	21/01/86
Western Port	Wheat	China	80,200	WFP	01/03/86
		Total Tonnes	84,448		

WFP = World Food Program
IEFR = International Emergency Food Reserve

The mandate of Direct Country Assistance, one of three components of CIDA's Country-to-Country Cooperation, includes the provision to developing countries:

- of expert services and training
- manufactured goods ranging from agricultural and industrial equipment to medical supplies
- lines of credit for the purchase of Canadian goods in the form of commodities (potash, aluminium, etc.)

Here we examine manufactured goods and their movements which represent an annual $180 million of Direct Country Assistance budget. The term "materiel" is used to cover the array of manufactured commodities and project cargoes purchased in Canada for export to developing countries.

As in the case of food aid, certain projects are handled directly by CIDA and for such undertakings the required materiel is purchased by Supply and Services Canada. Complete data is available on purchases made by Supply and Services Canada. In the case of materiel purchased by consultants or executing agents. on behalf of CIDA, the information is not collated to permit analysis. The $180 million is, therefore, a best estimate of the total annual value of materiel purchased for all CIDA-funded programs of Direct Country Assistance.

A typical large Direct Country Assistance program could be a multi-year undertaking to upgrade a nation's railway system. Firstly, the overall program would be supported by socio-economic impact evaluations and technical appraisals together with an estimate of cost and responsibilities designated for each participant. Implementation of the program, in most instances, would be achieved through a number of "stand alone" projects. A memorandum of understanding is prepared for each project in which the responsibilities of Canada and the recipient country are delineated.

In the above example of a railway upgrade, the program may be implemented through specific projects which could include the provision of:

- quarry equipment to produce railway ballast
- ballast rail cars
- steel rails and accessories and switch gear
- new or overhauled motive power
- upgrading spares and spare parts storage
- handling equipment
- stores and maintenance buildings
- operating and management training

PURCHASING THE MATERIEL

Once the matrix of the individual projects required to complete a program has been established, an overall implementation schedule is prepared. The distribution of responsibilities for procurement and transportation of materiel depends upon the complexity and technical requirements of each project.

Large complex projects are carried out most frequently on a "turnkey basis" —i.e. providing the manufactured commodities and project cargoes ready for operation — by an executing agent. Smaller projects, which do not require design engineering expertise, are generally undertaken by a procurement consultant. Projects undertaken directly by CIDA, and for which procurement and transportation are arranged through Supply and Services Canada, would mainly include those undertakings which do not involve design engineering or complicated procurement materiel specifications. During recent years, CIDA has tended to increase the number of projects undertaken by executing agents and procurement consultants.

EXECUTION OF PROJECTS DIRECTLY BY CIDA

Projects handled directly by CIDA amount to $30 million. The Agency initiates the procurement process with the preparation of a formal requisition in which its materiel requirements are detailed together with procedures to be followed regarding transportation. It is the CIDA project team which decides where materiel is to be shipped by suppliers: directly to destination, to a load port terminal, or to the CIDA marshalling agent. The decision is arrived at after considering location of materiel, requirement to use a flag vessel, seasonal influences, availability of liner service, and size and weight of shipment, etc. Two prevailing considerations are: minimal exposure of government to risk and lowest cost .

Contracts are placed with Canadian firms encompassing both supply of materiel and transportation to destination overseas and can also contain stipulations regarding the packaging of goods. The supplier must include a transport plan and related costs in the bid documents for review by CIDA.

When CIDA requires overseas transport, the Overseas Traffic Section of Supply & Services Canada arranges it.

Approximately 15 per cent of the materiel is shipped by suppliers directly to the CIDA marshalling agent, and the remaining 85 per cent of materiel aid is shipped by the suppliers to destination or to a load port terminal.

EXECUTING AGENTS AND PROCUREMENT CONSULTANTS

Executing agents and purchasing consultants, on a combined basis and during an average year, purchase and arrange the transportation of materiel having an estimated value of $150 million (figure arrived at after considerable discussion with CIDA).

Projects which require a high degree of technical expertise as well as those which require an extended period of time to complete are most frequently carried out, on behalf of CIDA, by an executing agent. Executing agents may be selected from consulting firms or, depending upon requirement, from an agency or department of the government, for example, Transport Canada, Agriculture Canada or a crown corporation. An executing agent may be engaged to undertake a project on a "turnkey basis". Under such an arrangement, the agent may commence by conducting a feasibility study, followed by complete design, procurement, and logistics, as well as construction, installation, training and overall fiscal accounting.

Many relatively small projects of short duration involve primarily the supply of materiel to a Third World country. CIDA may appoint a procurement consultant to handle all aspects of procurement for the supply of materiel and services to a recipient country. In brief, services provided by a procurement consultant are identical to those of an executing agent, but limited to the development of a procurement plan, specifications, tendering, contracting, transportation, quality and quantity control, as well as financial control through to completion.

As in the case of large projects handled by executing agents, CIDA requires that procurement consultants operate in accordance with established guidelines and a CIDA project team monitors each undertaking.

PARCEL SIZE

An overview of the size of individual shipments is based on an examination of purchases completed by Supply and Services Canada. During the fiscal year 1983-84, 819 cases (units or shipments) of materiel were shipped by sea or air having a total gross weight of 2,868 tonnes. This would indicate an average case weight of 3.5 tonnes.

Also during the course of the twelve month period studied, there were 95 "shiploadings" for an average loading weight of 28 tonnes. Discussions with Overseas Traffic Section indicate that the figures do not vary significantly from year to year.

Analysis has shown that during the course of a year of SSC purchasing:

- There are a few (four to six) large parcels of cargo such as rail, rail cars or locomotives.
- There are several (ten to fifteen) medium size parcels such as transformers, combines and lift trucks.
- More than half of the total number of parcels are small, being less than three tonnes, and a dollar value of less than $10,000.

Executing agents handle mainly large projects and the size of their individual shipments involve larger quantities of materiel. The agents tend to be reluctant to discuss the amounts of materiel involved but discussions with freight forwarders describe occasional multiyear projects which have involved the movement of tonnages in six figures. Also mentioned were projects which involved the movement of several thousand containers. We can surmise that like the few large shipments completed annually for projects handled directly by CIDA there are, as well, few large shipments completed by executing agents on an annual basis.

CIDA MARSHALLING AGENT

When a supplier contracts to deliver materiel to the CIDA marshalling agent in Montreal, the items are packed for domestic transport. An important aspect of the service provided by a marshalling agent is to prepare and pack the items to withstand the rigours of transport to developing countries. This is a very important, and yet little understood, aspect of one problem of shipping to countries of the Third World.

The marshalling agent also provides the means whereby small parcels of materiel may be received, paid for (by government), and held pending consolidation into a coordinated shipment. As individual shipments received by the marshalling agent are made ready for shipment, Overseas Traffic Section is notified. The CIDA project officer basically decides when a shipment is to go forward. Once decided, Overseas Traffic Section completes arrangements for transportation in accordance with the same procedures and criteria used for completion of FAS shipments.

TRANSPORTATION OPTIONS AND THEIR STIPULATIONS

The award of a transportation contract is based primarily on the most competitively-priced proposal received by Overseas Traffic Section. Also important considerations are: reliability of service, most appropriate schedule, preference for Canadian ports, and preferably the absence of trans-shipments.

Once Overseas Traffic Section has selected a carrier and a vessel is nominated, the supplier is notified where to ship the parcel as well as lay days for the vessel.

Free Alongside

In the instance where a supplier receives a contract which stipulates "Free Alongside", it means that the cost of the materiel includes delivery to a designated load port. From that point, arrangements for continuing transport to a Third World country is arranged by the Overseas Traffic Section of Supply and Services.

With respect to a "designated load port", a port may be designated to provide a uniform fixed point to be used by suppliers. A load port is chosen for the frequency of regular liner service at that location. The more frequent the liner service, the greater the probability that the shipment would be completed through that port.

When a delivery is ready for a contract stipulating Free Alongside, the supplier must notify the CIDA project officer as well as the Overseas Traffic Section, advising them of the size and weight of the parcel available. Overseas Traffic Section, which acts as traffic manager, then proceeds to obtain proposals from agents who represent shipping lines serving the destination concerned. This is usually done under liner terms.

The agents would be required to quote based on providing a complete service, including all items of cost, from load port through to specified destination. An agent could respond by naming an alternate port at a more favourable rate. The Overseas Traffic Section would then determine whether additional cost would be incurred by the supplier to ship the materiel FAS to the proposed alternate load port. Any additional charges would be borne by CIDA. An assessment of the overall situation would conclude in the selection of the most economical service.

A carrier may decide that it would be to their advantage to quote a uniform rate for a parcel to be shipped out of several load ports within a trading area, e.g. Eastern Canada. The carrier would absorb land transportation costs in such an arrangement in order to receive materiel at a load port which best accommodates the operation and schedule of the vessel they have available.

Cost and Freight to Designated Destination
During the course of a year, CIDA completes relatively few large shipments of heavy machinery such as railway equipment. However, when undertaken, they are done so on the basis of Cost & Freight (C & F) to designated destination, or Ex Quay designated discharge point. The decision as to which way to proceed would depend upon the complexity of the overall handling and this is consistent with the objective of CIDA to minimize the exposure of the government to risk.

An example of a recent C & F undertaking was a shipment of 100 railway cars to Senegal. The cars had been built by Hawker Siddeley Canada Inc., at Trenton, Nova Scotia and due to their being of narrow gauge had to be transported to the load port on Canadian railway flat cars. In this instance, Halifax was selected as the load port by the supplier for reasons of cost and proximity, as well as the availability of facilities to receive, hold and handle the cars. The business decision to complete transportation on a C & F basis left responsibility for both handling and scheduling with the one agency in the best position to oversee the overall operation and the significant costs involved.

In cases where transport is arranged by an agency other than Overseas Transport Section, the cost of transportation is monitored by that agency.

Ex Quay
A shipment of twelve locomotives destined for two countries of West Africa provides an example of the process through which decisions regarding overseas transportation to Third World Countries may be arranged. In this instance, the locomotives were produced for a CIDA-funded project by General Motors, Diesel Locomotive Division, London, Ontario. The contract which General Motors received from the Department of Supply and Services was an "all inclusive" undertaking for delivery Ex Quay Port of Dakar.

General Motors completes all arrangements for transportation through their own internal traffic department. Consequently, GM acting as its own freight forwarder deals directly with those shipping lines considered most capable of handling the particular requirement of each shipment. Transport is arranged and contracted for on the basis of the best possible service available, and cost appears to be a factor only after the company is completely assured of the capability and competence of a shipping line.

General Motors says that it does consider Ontario ports for export convenience. However, most shipments of locomotives thus far have been completed through the ports of Montreal, Saint John, N.B., or Halifax. Availability of suitable vessels as well as the season were decisive factors.

Loading and securing locomotives on flat cars at the GM plant in London is an expensive operation. Once loaded on flat cars there would be only minor differences between the cost of surface transport to Port of Montreal and an Ontario port. All factors considered, GM have found total costs to be lower when a shipment is made through the load port of Montreal than through the ports in Ontario.

ORIGIN OF MATERIEL AND ITS MAJOR SUPPLIERS

Tables 1.6A and 1.6B provide a perspective on the origin of the materiel aid for two fiscal years, 1985-86 and 1983-84. The two periods are presented to bring into focus the variable nature of materiel procurement. For example, distribution patterns may be distorted by large and expensive orders such as rails or railway cars from Nova Scotia which are not necessarily repeated on a consistent basis.

Table 1.6A
CIDA/SSC Purchases by Province of Origin FY 1985-86 (000's)

Province	Materiel $	Per cent
Nova Scotia	306	1
P.E.I.	1	-
New Brunswick	1	-
Quebec	4,497	10
Ontario	19,994	61
Manitoba	46	-
Saskatchewan	10	-
Alberta	25	-
British Columbia	1,914	-
Abroad	163	-

Source: CIDA business by volume, by vendor, and province
SSC A86-799 April 1986

Table 1.6B
CIDA/SSC Purchases by Province of Origin FY 1983-84 (000's)

Province	Materiel $	Per cent
Nova Scotia	14,057	47
P.E.I.	-	-
New Brunswick	234	1
Quebec	4,497	15
Ontario	9,882	33
Manitoba	42	-
Saskatchewan	100	-
Alberta	-	-
British Columbia	718	2
Abroad	718	2

Source: CIDA business by volume, by vendor and province
SSC A84-018 April 1984

Tables 1.7A and 1.7B list major suppliers from Ontario and Quebec respectively, each of whom received annual orders in excess of $100,000. A note of caution: orders of a particularly large dollar value could represent a standing order over an extended period of time. For example, Bombardier, during the fiscal year 1985-86 received orders in the amount of $2.8 million. That amount was made up of approximately 50 individual orders for an average value per purchase order of $56,000. Several of the orders were "call-up" under multi-year standing offers to provide for repair or rebuilding of railway equipment.

Table 1.7A
Suppliers Receiving Annual Orders in Excess of $100,000 FY 1985-86

Ontario

Company	Annual Value $	Number of Orders
B. & T. MacFarlane	519,661	13
Butler	233,034	2
Canac Telecom	511,481	6
Canadian Marconi	825,959	1
Champion Road Mchry.	389,709	2
Chemargo	351,109	1
Connaught Lab.	1,373,030	1
Equipment Sales	859,681	1
General Motors	1,000,000	1
J.K.S. Boyles	216,915	2
Ken Dunbar	106,299	5
Legere Ind.Sales	156,520	14
Liftow	159,563	1
Longyear	1,381,919	1
Metcan	116,790	1
Wabco	159,914	4
Wild Leitz Photo	118,820	1
Wyeth	4,105,881	1

Source: CIDA Business Volume by Vendor & Province SSC A86-799 April/86

Table 1.7B
Suppliers Receiving Annual Orders In Excess of $100,000 FY 1985-86

Quebec

Company	Annual Value $	Number of Orders
Amalgamated Rail Supp.	744,073	25
Bombardier	2,858,520	50
CANAC	641,908	16
Hewitt	1,440,233	1
J.H. Ryder	654,322	1
Lauzier	348,095	2
Les Equipments Rapco	147,264	1
Nutrite	2,171,629	3

Source: CIDA Business Volume by Vendor and Province SSC A86-799 April/86

COMMODITIES

The quantity of commodities provided to developing countries by the Canadian government is not as significant as food or materiel in dollar or tonnage terms.

The main commodities shipped abroad are sulphur, potash, copper, aluminium, urea, pulp and paper. In 1985-86, approximately $100 million in commodities of this nature were shipped. The dollar value translates into approximately 12,500 tonnes of aluminium; 350,000 tonnes of potash; 95,000 tonnes of urea; 24,000 tonnes of pulp and paper; and small quantities of sulphur and metals.

In nearly all cases, the transportation of these goods is arranged differently from that of food aid. The recipient country consults with CIDA on suppliers. The recipient country then asks the suppliers to tender CIF (Cost Insurance and Freight) at a port in their country designated by them. The tenders are reviewed by CIDA.

Thunder Bay is often used for potash exports and a few other Ontario ports for small parcels of aluminium rods.

CHAPTER TWO

PUBLIC SECTOR PROCUREMENT

A major obstacle in the analysis of government procurement is that the available data on it does not include tonnage. Procurement records show only dollar values of cargoes and no information on transportation involved. A purchase contract represented in dollars could include a high-cost commodity requiring only low-cost transportation or, alternatively, the same total could comprise items costing relatively little but requiring expensive transportation. Federal procurement record-keeping is being changed, however, and from 1989 onwards tonnage figures will appear on contract documents. Till that happens a comprehensive examination of public sector procurement cannot take place.

In order to analyze potential for the greater use of Ontario ports, it was necessary to isolate goods and equipment purchased by governments or government agencies from services and financial transfers—the other components of public sector procurement.

The magnitude of government or public sector procurement was assessed in 1979 at $43.5 billion.

A breakdown of this market into its major purchasers is given in Appendix C, Table 2.1. While the statistics are not current, the information contained in it is still valid. The table groups all crown corporations and agencies under the heading "Government Enterprises". The other two groupings are "Universities" and"Government Sector". The latter includes federal, provincial and local governments and hospitals. Within the constraints of this study, it was possible to cover only federal, provincial and local governments and at that—briefly.

FEDERAL GOVERNMENT PROCUREMENT

The federal government does not purchase as much as the ten provinces and territories combined. However, it does buy a considerable amount of goods and equipment, and records indicate that in 1985-86 it purchased $4.7 billion worth of goods excluding services (Table 2.2). Supply and Services Canada makes 80 to 85 per cent of the federal purchases from its headquarters in Ottawa and its regional offices across Canada, Europe and in Washington, D.C. About 25 per cent of the procurement is carried out from the regional Canadian offices. Their function is to buy competitively-priced goods for use within the province in which the goods are purchased. When local prices are not advantageous the contracts revert to the main office where they are processed nationally.

Table 2.2
Supply Program Contracting by Type of Goods and Services FY 1985-86 & 1984-85

Description	FY 1985-86 Goods	FY 1985-86 Services	FY 1984-85 Goods	FY 1984-85 Services
Goods & Related Services				
Communication Equipment	488,990	57,882	896,765	75,645
Aircraft Airframe, Structural Components	476,913	29,685	112,097	199,147
Fuels, Lubricants, Oils & Waxes	489,899	215	532,229	63
Ground Effect Vehicles, Motor Vehicles Trailers and Cycles	381,836	38,938	342,587	28,681
Data Processing Equipment	209,130	115,557	277,939	101,118
Subsistence	238,852	-	214,249	-
Aircraft Components & Accessories	133,640	76,788	133,712	60,420
Instruments & Laboratory Equipment	178,001	27,974	194,444	24,204
Guided Missiles	195,217	3,244	424,558	1,299
Ships,Small Crafts, Pontoons & Floating Docks	78,414	123,456	134,899	98,313
Other Goods & Related Services	1,894,885	148,189	2,164,298	159,584
Sub-Total	4,765,777	621,928	5,427,777	748,474
Service Not Related to Goods				
Business Services	-	436,281	-	561,015
Consulting Services	-	161,296	-	163,614
Transportation & Charters	-	74,775	-	38,704
Building/Installation Special Trade Services	-	63,026	-	53,896
Other Services	-	139,409	-	143,738
Sub-Total	-	874,787	-	960,967
Scientific & Research	-	315,099	-	353,187
Printing	-	121,740	-	137,988
Total	4,765,777	1,933,554	5,427,777	2,200,616
Total	6,699,331		7,628,393	

National Defence, Transport Canada and Canadian Commercial Corporation are the largest customers served by Supply and Services Canada

Table 2.3A
Supply Program Contracting by Major Customers FY 1985-86

Major Customers	Number*	Per cent	$000	Per cent
National Defence	134,394	43.1	3,013,276	45.0
CCC Pay Office 7	2,322	0.7	920,983	13.7
Transport Canada	25,845	8.3	516,733	7.7
Fisheries and Oceans	14,502	4.7	155,086	2.3
Energy, Mines and Resources	8,053	2.6	153,543	2.3
Regional Industrial Expansion	1,895	0.6	142,438	2.1
CIDA (Food and Economic Aid)	858	0.3	127,738	1.9
Environment Canada	15,825	5.1	114,458	1.7
Agriculture Canada	11,276	3.6	100,471	1.5
Royal Canadian Mounted Police	7,133	2.3	97,975	1.5
National Research Council of Canada	7,181	2.3	97,949	1.5
Employment & Immigration Canada	6,263	2.0	96,140	1.4
Correctional Services of Canada	14,524	4.6	93,433	1.4
Public Works Canada	6,864	2.2	90,871	1.4
Indian & Northern Affairs Canada	3,867	1.2	75,308	1.1
Other Customers	51,045	16.4	902,929	13.5
Total	311,847	100.0	6,699,331	100.0

* These figures represent the number of times the customer has been recorded on the contractual documents.

Table 2.3B
Supply Program Contracting by Major Customers FY 1984-85

Major Customers	Number*	Per cent	$000	Per cent
National Defence	146,851	40.2	3,509,496	46.0
CCC Pay Office 7	2,322	0.6	698,958	9.2
Transport Canada	31,244	8.5	867,085	11.3
Fisheries & Oceans	18,168	5.0	163,724	2.1
Energy, Mines & Resources	9,824	2.7	197,215	2.6
Regional Industrial Expansion	2,015	0.6	216,943	2.8
CIDA (Food and Economic Aid)	989	0.3	120,929	1.6
Environment Canada	20,107	5.5	126,783	1.7
Agriculture Canada	14,081	3.8	96,123	1.2
Royal Canadian Mounted Police	8,095	2.2	127,250	1.7
National Research Council of Canada	10,356	2.8	94,308	1.2
Employment & Immigration Canada	6,286	1.7	111,884	1.5
Correctional Services of Canada	19,516	5.3	96,503	1.3
Public Works Canada	9,364	2.7	98,597	1.3
Indian and Northern Affairs Canada	4,768	1.3	51,934	0.7
Other Customers	61,215	16.8	1,050,661	13.8
Total	365,112	100.0	7,628,393	100.0

* These figures represent the number of times the customer has been recorded on the contractual documents.

In Canada, supply points of vendors are mainly in Ontario and Quebec, followed by Washington, D.C. and London, England. The nature of goods purchased by the foreign offices of Supply and Services Canada has not been ascertained but it would be a fair assumption that these goods are not produced in Canada. It would also be safe to surmise that some of the offshore purchases are carried by ship to their destinations in Canada.

Table 2.4
Major Suppliers in Ontario FY 1985-86

Suppliers' Name	Type of Goods/Services	Number	Value $M	%of Ont. Value
General Motors of Cda Ltd.*	Vehicles	1,204	274.6	8.9
Esso Petroleum of Canada-Div. of Imperial Oil Ltd.*	Fuels, lubricants	110	221.0	7.1
Raytheon Canada Ltd.	Weapons	109	128.6	4.2
Litton Systems Canada Ltd.*	Communication, detection & coherent radiation equipment	189	125.9	4.1
Petro-Canada Products Co.	Fuels, lubricants	60	95.2	3.1
De Havilland Aircraft of Cda	Aircraft components & accessories	184	94.5	3.1
Hawker Siddeley Canada Inc. Orenda Division	Engines, turbines	137	75.2	2.4
Canadian Corps of Commissionaires H.Q.	Business services	85	71.7	2.3
Computing Devices - a div. of Control Data Canada Ltd.	Communication equipment	83	57.9	1.9
Indal Technologies Inc.	Instruments & lab equipment	37	44.1	1.4
Sub-total: 10	Suppliers	2,198	1,188.7	38.5
Others: 15,426	Suppliers	117,453	1,906.2	61.5
Total: 15,436	Suppliers	119,651	3,094.9	100.0

* Among ten major suppliers in FY 1983-84, 1984-85, & 1985-86

Most of the vendors in Ontario supply goods (86 per cent) for use in Ontario. The remainder moves to other provinces and offshore. A large proportion of the purchases made outside of Ontario—mainly Quebec and offshore—are destined for Ontario.

In 1985-86, there were 19,162 active Ontario firms on the SSC source list of which 15,156 were successful bidders. This seems disproportionately high, but 80 per cent of the 119,000 contracts awarded to these firms were for less than $10,000 in value and 94 per cent for less than $50,000. Even with the tonnage an unknown factor, the relatively small value of the goods indicates that potential for water carriage based on the figures for that fiscal year was very low.

The Procurement Process

Supply and Services Canada has numerous procurement departments which specialize in different functions. These departments are coded and the codes appear in the federal government telephone directory of SSC.

On receiving a purchase order, the buyer sources the contract from appropriate suppliers on the SSC source list. In addition to other specifications the buyers in nearly all cases ask the suppliers to quote C & F delivered to destination. The supplier is also asked to provide weight and cubic volume of the goods, method of delivery and cost of transportation. Should the cost of transportation exceed $50,000 the buyer refers the contract to a transportation division of SSC to review the routing and improve on if possible. Rarely is the supplier's routing amended. The buyer then awards the contract directly or through a supervisor—depending upon the value of the contract—and in consultation with the customer.

All information on the contract is filed in the procurement data base except the weight or volume of the routing of goods. This information remains in the hard file and is not readily accessible for analytical purposes. All data published by SSC and Statistics Canada are expressed in number of contracts and dollar value. A portion of SSC procurement is in the form of "standing offers". These are contracts that require small but constant deliveries and are placed by SSC for a period of two to three years. The offers are renewed before expiration by another contract.

PROCUREMENT BY PROVINCIAL AND LOCAL GOVERNMENTS

Although provincial and local governments together procure more goods than the federal government, they purchase aggregates at sources that are close to destination in order to minimize transportation. Their purchase of other commodities utilizes overland modes and non-seaway ports. Any increase in lake-port tonnage would have to involve modal transfers.

The Procurement Process

The Ontario government has a decentralized procurement system unlike the other provinces and territories. Eighteen separate ministries conduct purchases and in some cases a ministry with specialized skills in a certain field may purchase commodities related to that field for all of Ontario. Obvious examples are the Ministry of Health which buys all medical and drug supplies and the Ministry of Transportation which purchases all vehicles. (The Ministry of Transportation is the largest purchaser in the Ontario Government; crude construction, building supplies, aggregates, petroleum products and chemicals being the largest purchases.) Goods purchased by the provincial government in Ontario are listed in Table 2.5 and the amount in percentages purchased by each ministry. The provincial, territorial, and municipal governments all make available to the public and to prospective suppliers information on the commodities they purchase and the government buyers to contact. Procurements are made mainly on a C & F delivery basis.

Table 2.5
Major Goods/Services Contracts in Ontario FY 1985-86

Goods/Services	Contracts Value $M	Per cent of Province
Communication, Detection & Coherent Radiation Equipment*	308.0	10.0
Business Services*	289.7	9.4
Fuels, Lubricants, Oils & Waxes*	280.0	9.1
Ground Effect Vehicles, Motor Vehicles, Trailers, & Cycles*	265.9	8.6
General Purpose Automactic Data Processing Equipment & Software*	262.0	8.5
Scientific and Research Services*	137.9	4.5
Engines, Turbines & Components*	123.9	4.0
Instruments & Lab Equipment*	105.0	3.4
Aircraft & Airframe Structural Components	97.3	3.1
Guided Missiles	91.4	3.0
Sub-total:	1,961.1	63.6
Others:	1,133.8	36.4
Total:	3,094.9	100.0

* Among ten major items in FY 1983-84, FY 1984-85 & FY 1985-86

CONSIDERATIONS AND PROPOSALS FOR FURTHER STUDY

An examination of the procurement process and other existing information has provided some answers and enabled the identification of some potential business for Ontario ports. Specific suggestions for a detailed investigation are highlighted.

Statistics Canada is able to report tonnages of goods moving into, out of, and across Canada by origin and destination. This information is further broken-down into commodities and mode of transport. The data does not list suppliers or consignees. A separate data base provides input-output of goods across the Canadian economy and can isolate those goods which are procured by government (but only in dollar values).

— It appears feasible to match up these two data bases, one for tonnage and the other for government purchases, to provide a pattern of government purchases and assist in developing a marketing strategy. This work should be carried out by the ports and agencies involved.

Most goods being purchased C & F destination, and the mode of delivery decided upon by the suppliers, the volume and frequency of deliveries could be ascertained by contacting the suppliers. This would not be difficult because 37 per cent of the goods are procured from a relatively small pool of twenty suppliers. This should be done as part of any further investigation.

— Information on the type of goods purchased being available from Supply Information and Data Management Branch of Supply and Services Canada, it would be possible to match Ontario ports with cargo for which they have suitable facilities. Consultation with the buyer group specializing in these commodities would determine the amount procured and the usual mode of transportation. This also requires further investigation.

Ontario is a large importer and user of federally procured goods from outside the province. Vessels which call at Ontario ports are of two kinds: those that trade offshore and those that trade domestically between Canada and U.S. ports. Ontario ports should be able to attract offshore vessels, firstly, because statistics indicate a significantly large proportion of the imported goods is destined for use in Ontario; and secondly, the largest value of goods procured in Ontario for SSC and moved out of the province moves offshore. Further research is necessary to confirm this, but most of the goods procured in Ontario, it is believed, are connected with Defence and the requirements of allied countries.

— A definite potential exists here for the increase of business for Ontario ports but requires a more profound examination.

Domestic vessels are not compatible with the facilities offered by most Ontario ports. Canadian and US Lake fleets are now predominantly carriers of bulk cargo that do not lend themselves easily to the carriage of containerized goods or neo-bulk goods. A more flexible vessel service would increase the opportunities for Ontario ports to participate in transportation of government-procured goods.

There is no simple method to determine the flow of government-procured goods. The initial and most difficult task for any port offering its services is the identification of those commodities that the port can service competitively and competently.

— Nevertheless, enough information exists on types of commodities purchased, major suppliers and buyers, the practice of purchasing on a C & F basis, that with time and effort this knowledge could be manipulated to elicit important data to assist Ontario ports to compete more effectively.

The Ontario Ministry of Transportation moves salt and aggregates on the Lakes. It is up to the suppliers to arrange transportation, since lowest cost bids win, it is in their interest to quote lakes when that is the best alternative. Sometimes lack of storage space discourages use of a port.

CHAPTER THREE

CONCLUSIONS AND RECOMMENDATIONS

It has been determined that 65 per cent or $1.12 billion of CIDA assistance requires some form of transportation. For various reasons, Ontario ports do not have what would be judged as an equitable share of this business. Government officials and private brokers do consider Ontario ports when deciding upon transportation routings but in a great number of cases many factors unite to eliminate Ontario ports as the optimum choice.

The consensus arrived at by the consultants researching for this study is that the status quo cannot be changed to result in a major increase in business for Ontario ports but that it can be changed to the extent of promoting a respectable growth in business and a healthy increase in profits.

ONTARIO PORTS: THE CHALLENGES

Several studies evaluating alternatives on the lakes such as tug-barge, feeder, cross-lake tug and barge and general cargo services have either been recently conducted or are underway. None of these have overwhelmingly supported a new service in the last two or three years. However, since commercial circumstances change continuously, alternatives have also to be assessed continuously.

A comprehensive assessment of government procurement and government-aided cargo would require that the data-bases of shipments related to these activities be expanded to include information on tonnage, origin and destination.

— CIDA operates under several constraints in moving aid cargoes to recipient countries. Often several different commodities may be shipped on the same ocean vessel requiring strategic inland routing to coordinate the total shipment. This factor is of particular importance to multilateral shipments which are smaller, more in number, and shipped to many more countries than bilateral shipments. Availability of food poses a further problem as it is dictated by the timing of the respective harvests and the demands of commercial buyers (CIDA tries to avoid disrupting the normal commercial market balance). Consequently, a flexible routing is crucial in deciding on transportation routes of government cargoes. Ontario is unable to provide this flexibility. A port that is only open for trade eight-and-a-half months of the year and restricted to 26-foot draft is just not as competitive as a port open 12 months of the year and that can accommodate larger vessels.

— In order to facilitate the movement of goods and assist in the coordination of shipments, CIDA has established a marshalling agent and warehouse in Montreal. This contributes toward diverting cargoes away from Ontario ports.

— No food or materiel or any other form of aid for that matter can be shipped until a memorandum of understanding is signed by CIDA and the recipient country. The preparation of the document commences only after April 1 when CIDA's fiscal year

begins and usually involves many months of negotiations before it is completed. As a result, shipments are inclined to be the heaviest between October and March. This timing precludes shipments being made through the three-and-a-half months when the Seaway is closed . In addition, navigation conditions in the fall being unpredictable, shippers are often hesitant about moving CIDA cargoes for fear of delays.

— Many brokers retained by Supply and Services Canada are small and specialize in moving goods to recipient countries of which they have specialized knowledge. Government contracts require tenders in "liner terms" (one price from port to port) and a performance bond for failure to deliver as specified. Shipments made from inside the Great Lakes substantially increase the risks as they are subject to greater seasonal delays. These small brokerage firms are understandably reluctant to run that risk.

— A large proportion of government procurement made outside of the country is from the U.S.A. However, there are no suitable cross-lake facilities. Most of the goods are moved in containers but there is no regular container service on the waterways either between east and west or between Canada and the United States.

— Wheat is the largest food aid shipped abroad. CIDA purchases prairie wheat from the Canadian Wheat Board and the Board also handles its transportation. In 1985-86, almost all CIDA wheat was shipped through eastern ports and only in isolated instances were Ontario elevators used in direct shipments. CIDA wheat purchases represent only 3 per cent of Canada's total grain exports and utilizing the wide network of the Canadian Wheat Board's distribution system provides CIDA with the economy and flexibility of schedule that it requires.

— Ocean tonnage of whatever nationality is divided into chartered, tramp tonnage and liner services. With the former, the ship's owner leases his vessel to go to any destination deemed profitable for a specific cargo or for a specified period. The owner takes into consideration the geographical position of his ship at the end of the contract to assess his chances of picking up another contract in that vicinity. Strategic positioning of ships is important and the Lakes are not rated high in this regard.

Liner vessels advertise their services for a specific route, for example, between eastern Canada, the Great Lakes and West Africa. They indicate their schedule and the ports they will call at. Should cargo be available at their advertised ports they will maintain their schedule but in poor markets where cargo bookings are not forthcoming, ship owners will cancel several or all ports of call and instead offer their vessels for charter. If a liner vessel does not have sufficient inducement to go beyond Montreal to the Lakes, it will cancel and parcels that have been booked on that vessel have to be trans-shipped. 2,000 tonnes were the minimum inducement considered in 1985.

The limited availability of liner term service to ports of Ontario is a significant constraint and particularly so when one considers shipments to the Third World countries which are far removed from the heavily travelled commercial trade routes.

— The costs of moving goods in Canada by rail are set out in a complex array of tariffs which do not meet simple logic of distance and time. As a result of political and industrial pressures, subsidies have been introduced into the pricing system. Water transportation is subject to the vagaries of the cost of moving goods to and from a port by rail. Flour, CIDA's second largest food aid, is rail-subsidised favouring river and maritime ports.

- CIDA purchases skimmed milk directly from the Canadian Dairy Commission and in an arrangement similar to the one with the Canadian Wheat Board utilizes the Dairy Commission's integrated transportation network. As most of the produce is manufactured and stored around Quebec City, the small parcels required by CIDA are shipped from that port or moved to the nearest port where a suitable vessel awaits.

- Government procurers and officials responsible for transportation of government goods are generally not well-informed on water transportation and are inclined to favour road and rail transportation as less complicated. Matters are not helped by a lack of services on the waterways for general goods—apart from those for bulk cargo—since the Great Lakes package freight service was disbanded.

- Private trucking, much of which is owned by suppliers to government, is the fastest growing method of moving goods. This system provides on time, express delivery with minimal handling important to both government and industry in the transportation of their goods.

ONTARIO PORTS: THE STRENGTHS

- The ports of Hamilton and Toronto are favourably recognized for their facilities and are strategically located in close proximity to a large and concentrated number of Canadian manufacturing concerns. Manufacturers located in Ontario supply the highest percentage of materiel included in the annual aid programs. Materiel supplied by manufacturers in Western Canada, although not large in quantity, must be transported to or through Ontario before being exported.

- From data assembled on public sector procurement, it is concluded that many tonnes of product move through the geographical region that encompasses the Great Lakes and Seaway. More goods and equipment are procured in Ontario (34.1 per cent) by the public sector than in any other province, which should provide opportunities for inland marine business.

- It is generally perceived that cargoes move through Ontario ports with due care and that damage resulting from careless handling is minimal.

- A substantial portion of imported goods is destined for use in Ontario. For Ontario goods procured for Supply and Services Canada that are moved out of the province, the largest proportion in value moves offshore. It is believed most of these goods are connected with defence and the requirements of allied countries. We know, therefore, that cargoes do exist requiring transport by ship indicating that the potential exists for Ontario ports to attract more business.

ACTIONS

- The ports and the provincial government should persuade the federal government to sign memoranda of understanding early in the year.

- The federal and provincial governments should ensure that the Ontario ports are not adversely affected by subsidies.

- Port authorities should explore potential for shipments of grain (including shipments presently being handled by the Canadian Wheat Board) directly from Ontario ports. This would also induce more vessels into the Lake system by providing them with out-bound cargo.

- Ontario ports should investigate the option of Canadian contents and quotas for vessels and ports respectively in the shipments of aid cargoes.

- High quality packaging and skillful handling of aid cargoes should be developed and marketed as strong points of the services provided by Ontario ports. The message of "we understand, we care, we perform" must be conveyed to the potential clients.

- Port authorities should become more familiar with government procurement procedures and develop ongoing contacts with the appropriate procurement agencies and officials.

- The ports should continuously monitor—for possible routing via Ontario ports—government- procured cargo destined offshore and Canadian government goods coming into the country from the United States and abroad.

- Ontario ports, the provincial government and federal agencies should combine forces in developing information systems and data bases which would include tonnage, and origins and destinations of goods for procurement and aid cargoes.

APPENDICES

APPENDIX A

Federal Ministries, Crown Corporations and Others Contacted for Information on Food and Commodity Shipments

Supply and Services Canada
External Affairs
Canadian International Development Agency
Regional Industrial Expansion
Agriculture Canada
Canadian Commercial Corporation
Export Development Corporation
St. Lawrence Seaway
Canadian Dairy Commission
Canadian Wheat Board
Toronto Harbour Commission
Hamilton Harbour Commission
Canada Grains Council
Canadian Export Association
Great Lakes Waterways Development Association
Ministry of Transportation and Communications
Ministry of Industry, Trade and Technology
Private Brokers

APPENDIX B

REFERENCES AND SOURCES OF DATA ON MATERIEL

Study to Determine Potential for Inland Movement of Government Required or Assisted Cargo Stage 1 June 1986, Ministry of Transportation and Communications, Ontario

Annual Report 1985-1986 Canadian International Development Agency January 1987

1985-1986 Estimates Part III Canadian International Development Agency

Active Service Contracts and Current Lines of Credit Summer 1986 Canadian International Development Agency

Can Boat Compete for Rail and Truck Traffic A Brief Analysis of Ontario Traffic and Seaway System, May 1986, Canadian Transport Commission Research Branch (Draft Copy)

CIDA Business Volume by Vendor and Province FY 1983-84 SSC

CIDA Business Volume by Vendor and Province FY 1985-86 SSC

Guidelines for Procurement Consultants CIDA 1984

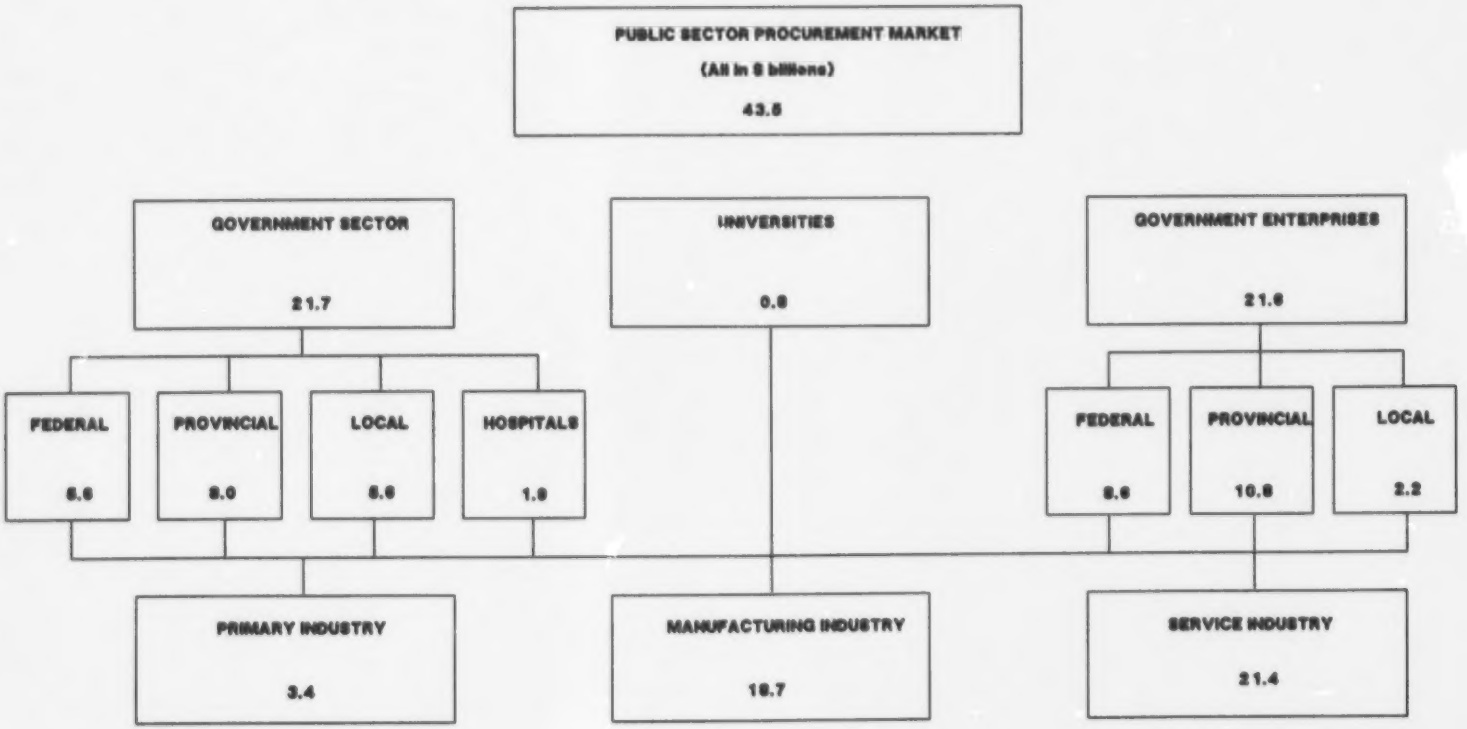
Guidelines on Procurement (Goods and Services) for Canadian Executing Agencies CIDA

Sector Profile of the Canadian Freight Forwarding Industry Regional and Industrial Expansion 1985

References and Sources of Data on Materiel continued:

DISCUSSIONS WITH INDUSTRY

Lavalin International
The SNC Group
Monenco
Marshall Macklin Monaghan Ltd.
Tecsult International Ltee
Klockner Stadler Hurter
Kuehne & Nagel International Ltd.
SCAC Transport
SAGA Transport
Fednav Limited
General Motors Diesel Locomotive Division



MINING	1.9
AGRICULTURE	1.4
OTHERS	.1
TOTALS	3.4

MAIN GROUPS

PETROLEUM AND COAL	2.4
ELECTRICAL PRODUCTS	2.3
TRANSPORTATION EQUIPMENT	2.1
METAL FABRICATING	1.8
MACHINERY	1.8
OTHERS	8.8
	18.7

COMMUNITY BUSINESS PERSONNEL SERVICES	8.8
TRANSPORTATION, COMMUNICATIONS AND OTHER UTILITIES	7.2
OTHERS	8.4
	21.4

APPENDIX C
TABLE 2.1

APPENDIX D

A RÉSUMÉ OF FREQUENTLY USED SHIPPING TERMS (INCOTERMS)

The following provides a general explanation of the Incoterms most frequently used in connection with CIDA shipments. The International Chamber of Commerce manual of Incoterm definitions should be consulted directly for the detailed and precise description.

1. **Free Alongside (FAS)**

   Essentially this means that the vendor delivers materiel to a designated terminal to be loaded to a specified voyage.

   Responsibility of Vendor:
   Supply the materiel as specified.
   Notify purchaser that materiel is ready for shipment.
   Arrange and pay for transportation to terminal.

   Responsibility of Purchaser:
   Arrange and pay for international transportation.
   Notify vendor of place and time of delivery.

2. **Free on Board (FOB), Truck (FOT), Rail (FOR)**

   Under Incoterms the delivery point is considered to be the shipping point (eg. plant or warehouse).

   Responsibility of vendor:
   Supply the materiel as specified and packaged in accordance with contract documents.

Complete and pay for loading and bracing.
Arrange transportation.
Notify purchaser that materiel has been shipped.
If FOB point is the receiving point: pay for transportation and insurance.

Responsibility of Purchaser:
Take ownership of materiel at the FOB point.
If FOB point is the shipping point: pay for transportation and insurance.

A common CIDA designation is "FOB marshalling agent." By this CIDA means that the vendor is responsible for the safe delivery of the materiel until it is handed over to the marshalling agent.

3. **Cost and Freight (C & F) Designated Port of Destination**

Responsibility of Vendor:
Supply materiel as specified. Arrange and pay for transportation and other costs until the materiel effectively passes over the ship's rail at the port of discharge.
Deliver materiel to the load port.
Supply purchase with all required documentation.
Notify purchaser of estimated time of arrival of ship at discharge port.

Responsibility of Purchaser:
Accept documents when tendered.
Receive materiel at discharge port.
Pay discharge port charges if not otherwise specified.
Ownership of the materiel transfers from vendor to purchaser when the materiel passes the rail of the ship at the load port.

4. **Cost, Insurance and Freight (CIF) Designated Port of Destination:**

CIF is the same as Cost and Freight except that the vendor must also procure and pay for insurance for the materiel during the voyage as specified in the contract.

5. **Ex Ship, Designated Port of Destination**

Responsibility of Vendor:
Supply the materiel as specified.
Arrange and pay for all transportation and other costs, including checking at the destination port.
Make the materiel available in the ship at the destination port.
Be responsible for the materiel up until the time that the materiel is made available to the purchaser prior to the unloading from the ship.

Responsibility of Purchaser:
Take ownership of the materiel when it is placed at his disposal in the ship.
Pay all charges for the materiel from the time that it is made available to him.

6. **Ex Plant, Ex Works, Ex Factory**

Responsibility of Vendor:
Make materiel available as specified and packaged in accordance with contract documents.
Notify purchaser that the materiel is available for shipment.

Responsibility of Purchaser:
Assume ownership of materiel at the "tailgate" of a truck or rail-car.
Arrange and pay for loading onto vehicles, insurance and transportation.

7. **Ex Quay (Designated Port of Destination)**

Responsibility of Vendor:
Provide the materiel as specified.
Arrange and pay for transportation and other costs to place the materiel on the dock at load port.
Pay costs of landing, customs and import taxes.
Responsible for the materiel until the expiration of the free time allowed at discharge port.

Responsibility of Purchaser:
Take ownership of the materiel within the free time allowed at the discharge port.
Pay charges associated with not picking up the materiel within the period of free time.